

**Changes in Arkansas Teacher Retirement System's Laws
By the 2009 General Assembly**

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(501) 682-2175 or (800) 666-2877

Subject	Changes	Action(s) Necessary
1. Allows the immediate hiring of investment managers <i>Act 79 of 2009 (SB139 by Sen. S. Faris)</i> <i>Effective February 9, 2009</i>	Amends A.C.A. §24-2-618 (Investing) to allow the ATRS Board to hire a fund manager immediately when it is determined a delay would create a financial harm or otherwise be a detriment to the System.	None.
2. Eliminates tax withholding on lump sum death benefit <i>Act 425 of 2009 (SB229 by Sen. J. Jeffress)</i> <i>Effective July 1, 2009</i>	Amends A.C.A. §24-7-720 (Death benefit) to clarify that the lump sum death benefit was intended to be tax exempt, thus eliminating withholdings from the distribution.	None.
3. Waive certain member receivables <i>Act 465 of 2009 (SB155 by Sen. B. Glover, Sen. S. Faris)</i> <i>Effective July 1, 2009</i>	Amends A.C.A. §24-7-205 (Adjustment of payment to correct error) to add subsection (c) (1); provides that beginning July 1, 2009, the Board or its designee may waive interest amounts owed to the System under limited circumstances when an error caused by the System creates an undue hardship to a member.	None.
4. Waive Employer Penalties and Interest <i>Act 467 of 2009 (SB170 by Sen. G. Jeffress)</i> <i>Effective July 1, 2009</i>	Amends A.C.A. §24-7-411 (Compelling payment upon delinquency of employer) to add subsection (c) allowing the Board or its designee to waive penalties and interest assessed on delinquent employer reports for good cause shown.	None.
5. Technical Corrections <i>Act 468 of 2009 (SB191 by Sen. S. Faris)</i> <i>Effective July 1, 2009</i>	Amends A.C.A. §24-7-202 (Definitions) to clarify and add consistency to the ATRS definitions. Amends A.C.A. §24-7-205 (Overpayments) technical changes to be consistent with other sections. Amends A.C.A. §24-7-302 (Trustees) to declare T-DROP participants as active and allows for a special election to fill a Board vacancy. A.C.A. §24-7-303 (Trustees) to allow the Board to create additional committees as needed. Amends A.C.A. §24-7-401 (Contribution rate) technical changes to be consistent with other sections. Amends A.C.A. §24-7-402(b) (Custody) to allow ATRS to use financial institutions other than the State Treasurer for custody of assets. Amends A.C.A. §24-7-406(c) (Contributions) technical changes to be consistent with other sections. Amends A.C.A. §24-7-406(g)(1)(B) (Contributions) technical changes to be consistent with other sections.	None.

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Technical Corrections (cont'd)	<p>Amends A.C.A. §24-7-602(a) - (c) (Military service) to clarify a five year vesting period requirement in order to become eligible for establishment of military service and other technical changes to be consistent with other sections.</p> <p>Amends A.C.A. §24-7-603 (Out of state service) technical changes to be consistent with other sections.</p> <p>Amends A.C.A. §24-7-607(b)(3)(B)(ii) (Private school service) to clarify the refund requirements of member payments if a member does not remain active until the private school service has been established.</p> <p>Amends A.C.A. §24-7-610(d) (National Guard service) to clarify the refund requirements of member payments if a member does not remain active until the National Guard service has been established.</p> <p>Amends A.C.A. §24-7-611(b)(3)(B)(ii) (Domestic federal service) to clarify the refund requirements of member payments if a member does not remain active until the domestic federal service has been established.</p> <p>Amends A.C.A. §24-7-701(a) and (b) (Voluntary retirement) to clarify that a retiree who fails to meet the termination requirements before returning to work for a participating employer shall repay the benefits received before becoming eligible again for voluntary retirement. Also clarifies collection methods.</p> <p>Amends A.C.A. §24-7-704 (Disability retirement) disability retirement will begin the month after review and approval by the medical committee. The Board must ratify the medical committee's decision, but benefits can begin before ATRS Board approval. If a disability retiree returns to covered employment prior to age 60, he or she will become an active member of the system and disability benefits will</p> <p>Amends A.C.A. §24-7-707(a) (Deferred retirement) technical changes to be consistent with other sections.</p> <p>Amends A.C.A. §24-7-709 (Residue disposition) any residue remaining upon death of a retiree and his or her option beneficiaries will be paid to the person(s) designated by the member. If the designees are dead, or none are named, the residue will be paid to the member's estate, if practicable, otherwise it will be forfeited to the System, subject to valid claims of the member's estate.</p>	None.

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Technical Corrections (cont'd)	<p>Amends A.C.A. §24-7-711 (Member refunds upon termination or death) if a member terminates employment, any contributions paid to the System may be refunded by written request within 6 months. If an active member dies and survivor benefits are not payable, the contributions will be refunded to the named beneficiary. If there are no designated beneficiaries surviving the member, the contributions will become payable to the member's estate.</p> <p>Amends A.C.A. §24-7-713 (Cost of living raise) technical corrections to be consistent with other sections.</p> <p>Amends A.C.A. §24-7-718(a) (Minimum financing) employer contribution rate is set at a level to amortize all unfunded liabilities at a period less than 30 years, not to exceed 14%.</p> <p>Amends A.C.A. §24-7-719 (Distribution rollover) the System is not required to roll distributions over if the distribution is not eligible to be treated as a direct rollover by the IRS, or the institution receiving the distribution is not eligible to receive the distribution under the IRS. Does not limit the spouse as the only beneficiary eligible to rollover a distribution upon the death of a member.</p> <p>A.C.A. §24-7-721 through 724 are repealed.</p> <p>Amends A.C.A. §24-7-727 (Compound cost-of-living raise) to allow the Board to compound the cost of living adjustment annually if the unfunded liabilities are less than 30 years for retirants who received 12 checks the previous year. The 3% simple COLA is not payable when the compound COLA is given. When the compound COLA is given, that amount becomes the new base for future COLAs.</p> <p>A.C.A. §24-7-12 is repealed</p> <p>A.C.A. §24-7-14 is repealed</p>	None.
6. Clarifies the termination of service requirement for retirement from T-DROP if a member returns to ATRS covered employment <i>Act 470 of 2009 (SB227 by Sen. G. Jeffress)</i> <i>Effective July 1, 2009</i>	<p>Amends A.C.A. §24-7-1308 (Separation from service T-DROP) to clarify the termination of service requirement for retirement from T-DROP if a member returns to ATRS covered employment, and gives ATRS the authority to recoup any payments with interest if the conditions are not met.</p>	None.

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7. Earnings limitation and return to work <i>Act 743 of 2009 (SB165 by Sen. G. Jeffress)</i> <i>Effective July 2, 2009</i>	Amends A.C.A. §§24-7-502, 24-7-701, 24-7-704, 24-7-708, 24-7-1303 Required termination requirements from covered employment is extended from 30 to 180 days before a member may return to work for an ATRS participating employer. If the member returns to covered employment within the 180 period, they are considered to never have retired and all payments received from ATRS must be returned, with the following exceptions: 1) member is age 65 or older in which case no separation is required; 2) member has any combination of at least 38 years of credited, purchased, reciprocal, or T-DROP participation in which case 30 days termination is required; 3) member retires July 1, 2009 or earlier in which case 30 days termination is required. This act eliminates the earnings limitation for all retirees and requires employer contributions at the current rate for all retirees and T-DROP participants.	Employers must begin paying the current rate of employer contributions for all active, T-DROP, and retired members.
8. Allows ATRS to enact rules to remain compliant with IRS laws <i>Act 745 of 2009 (SB243 by Sen. S. Faris)</i> <i>Effective July 1, 2009</i>	Amends A.C.A. §24-7-305 (Duties and responsibilities) to allow the ATRS Board to adopt rules and regulations to remain or to become in compliance with IRS rules. This act will allow Board action to correct or prevent a violation without waiting for the General Assembly to act.	None.
9. IRS Code §415 Benefit Testing <i>Act 1202 of 2009 (SB209 by Sen. S. Faris)</i> <i>Effective July 1, 2009</i>	Amends A.C.A. §24-7-733 (Benefit limitations) to clarify ATRS' ability to conduct annual IRS §415 testing, and count the COLA as automatic, allowing members to retain more of their benefit.	None.
10. Creates a consistent review process for partial equity ownership agreements <i>Act 1211 of 2009 (SB812 by Sen. S. Faris)</i> <i>Effective April 7, 2009</i>	Amends A.C.A. §19-11-203(5) and creates A.C.A. §19-11-1301 through 1304 (Procurement) to allow investment by ATRS as equity owner to be reviewed under alternate procedure by the Arkansas Office of State Procurement.	None.
11. Provides one-time ad hoc raise for retirees when financially possible <i>Act 1315 of 2009 (SB129 by Sen. S. Faris)</i> <i>Effective TBD</i>	Creates A.C.A. §24-7-1501 and 1502 (Benefits) to allow the ATRS Board to give retirees a variable one-time ad hoc raise, when financially feasible, based on length of time retired and years of service.	None.
12. Limits the number of times a member may rescind retirement to once <i>Act 1322 of 2009 (SB210 by Sen. S. Faris)</i> <i>Effective July 1, 2009</i>	Amends A.C.A. §24-7-717 (Rescission of retirement) to limit the number of times a member may rescind (cancel) retirement to 1, but after accruing 1 full year of service credit, the member's annuity may be recalculated.	Retirees who have completed rescission prior to July 1, 2009, may rescind one additional time. Retirees in the process of rescission may not rescind in the future, but may have benefits recalculated if they have completed one additional year of service credit.
13. Reinstates benefit for certain members and eliminates withholding taxes on the lump sum death benefit <i>Act 1323 of 2009 (SB224 by Sen. G. Jeffress)</i> <i>Effective July 1, 2009</i>	Amends A.C.A. §24-7-720 (Death benefit) to clarify the intent of the benefit be similar to an insurance payout so that no withholdings for taxes will be made beginning July 1, 2009. The benefit will no longer be rollover eligible. It also reinstates the benefit to members who retired on or before July 1, 2007, with 5 years of actual service, who had the benefit eliminated during the 2007 legislative session.	None.

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14. Eliminates survivor benefit complexities <i>Act 1324 of 2009 (SB228 by Sen. J. Jeffress)</i> <i>Effective July 1, 2009</i>	Amends A.C.A. §24-7-710 (Survivor benefits) to eliminate the remarriage prohibition on spouses and children, set the dates benefits are payable and terminate, and clarify that Option A benefits are payable to an eligible spouse. It eliminates the dependent parent benefit and the requirement to recalculate benefits when a dependent is removed from the survivor payroll.	None.
15. Changes salary definition and calculation of final average salary <i>Act 1325 of 2009 (SB231 by Sen. J. Jeffress)</i> <i>Effective July 1, 2009</i>	Amends A.C.A. §24-7-202(15) - (27) (Definitions) to eliminate the subjective 110% rule used in calculating final average salary and replace it with the use of the highest salaries to the extent of 120% of next highest year's salary used in the final average salary, or an additional \$5,000, whichever is greater. Salary is defined as remuneration upon which federal income tax is paid, including "picked up" contributions and remuneration paid other than in cash.	None.